

Before the  
Federal Communications Commission  
Washington, DC 20554

In the Matter of	)	
	)	
Annual Assessment of the Status of	)	
Competition in the Market for the	)	MB Docket No. 05-255
Delivery of Video Programming	)	
	)	

**COMMENTS OF ALCATEL**

**I. Introduction**

Alcatel submits these Comments in the above-entitled docket to provide the Federal Communications Commission (“FCC” or “Commission”) with information concerning developments in video, why telecommunications carriers are investing in video technologies, and to discuss the regulatory barriers to this market. Alcatel is a leader in the development of video solutions for telecommunications carriers worldwide and is enthusiastic about such deployments; however, Alcatel sees the unique obligation in the U.S. local video franchise obligations as dramatically delaying entry into the market and the significant public interest benefits associated with this entry.

**II. Alcatel is a Leading Provider of Broadband Networks and Video Solutions.**

In over 130 countries, Alcatel supplies service providers with equipment and solutions to offer customers a full ranges voice, video, and data services. According to Dell’Oro, Alcatel is the global leader in digital subscriber line equipment with a 38% market share at the end of 2004 and the North American leader in providing over one half

of the DSL equipment to various service providers. Alcatel is also a leader in satellite, terrestrial wireless, and fiber-based systems capable of providing video services.

Alcatel is currently working with dozens of telecommunications carriers throughout the world to enable them to provide video services to their customers. In February 2005, Alcatel entered into a global collaboration agreement with Microsoft to develop an integrated Internet Protocol Television (“IPTV”) delivery solution for broadband service providers.<sup>1</sup> Under this agreement, Alcatel and Microsoft will work to enhance video applications, integrate content and digital rights management, and manage quality of services through intelligent video packet handling. Alcatel has also been working with SBC in its Project Lightspeed as the sole network infrastructure supplier and video integrator to bring the IPTV experience to 18 million homes by year end 2007.<sup>2</sup> SBC’s aggressive roll out of IPTV service is the most ambitious to date, and it will predominately rely on a fiber to the node (“FTTN”) architecture employing advanced DSL technology that is capable of delivering 20-25 Mbp/s to consumer’s homes.

### **III. Broadband Penetration Enables the Next Generation of Video Solutions.**

Increased broadband penetration and competition among platforms is improving the technological and economic environment for wireline video offerings from telecommunications carriers. As of March 2005, there were an estimated 164 million broadband connections in the world, and 36 million connections in the United States

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<sup>1</sup> “Alcatel and Microsoft Create an Industry-Leading Solution for IP Television,” Feb. 22, 2005, available at: <http://aww.alcatel.com/news/releases> (visited Sept. 19, 2005).

<sup>2</sup> “SBC Selects Alcatel as Primary Supplier for Project Lightspeed in USD 1.7 Billion Deal,” Oct., 20, 2004, available at: <http://aww.alcatel.com/news/releases> (visited Sept. 19, 2005).

alone.<sup>3</sup> Digital subscriber line is the world's most popular broadband access technology, accounting for 60% of the world's broadband connections.

Advancements in wireline broadband technology have made more bandwidth intensive applications, such as video, commercially viable and ready for mass deployment. The standardization of ADSL2Plus, with a bit rate of 8 – 15 Mbp/s on copper loops up to 2.5 kilometers, and Very High Bit-Rate DSL ("VDSL"), with a bit rate of 15 to 25 Mbp/s on copper loops up to 1.2 kilometers, have enabled telecommunications carriers with technological solutions to deliver voice, video, and high speed Internet solutions. For example, Alcatel is working with SBC in Project Lightspeed to deliver a triple play of services to consumers based predominately on a Fiber to the Node ("FTTN") system in which ADSL2Plus or VDSL technology will deliver these services over 3,000 to 5,000 ft. copper subloops.<sup>4</sup> Advancements in these broadband access technologies, along with video compression technologies such as MPEG-4 and Microsoft Windows Media, are making telecommunications carrier provided video services a reality.

#### **IV. Service Providers Must Offer Video Solutions to Remain Competitive.**

Alcatel estimates that nearly all North American operators, 80 percent of operators in Europe, and 30 percent in Asia are well into trials or deployments of voice, video, and data triple play solutions.<sup>5</sup> Video is an important service for

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<sup>3</sup> "DSL Dominates as World Broadband Total Soars," Telecom Web, available at: [www.telecomweb.news/news](http://www.telecomweb.news/news) (visited Sept. 12, 2005).

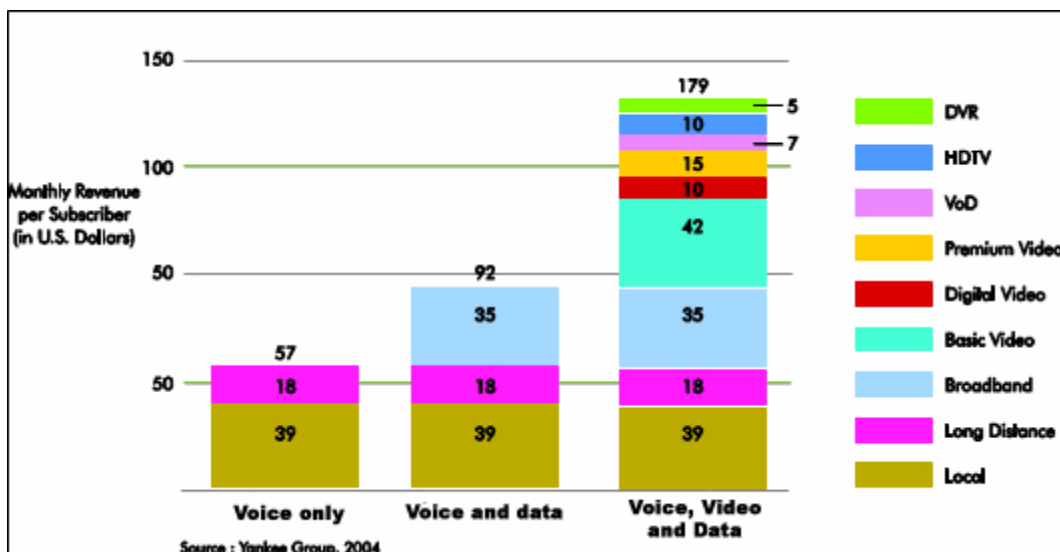
<sup>4</sup> SBC, Ex Parte Communication, Docket No. 04-29 (Oct. 8, 2004).

<sup>5</sup> In addition to SBC's Project Lightspeed, Verizon and Bell South have announced plans to deploy video services. "Telecom: The Fiber-Optic Quagmire," BusinessWeek Online, Dec. 6, 2004. A number of smaller carriers are pursuing video strategies as well, including those capable of providing IP-enabled voice, video, and data services. See, SBC, "The Impact of Legal Propriety of Applying Cable Franchise Regulation to IP-enabled Video Services," Docket No. 04-36, filed Sept. 14, 2005, at fn. 20.

telecommunications carriers to offer for a number of reasons, including the revenue expectations, competition from cable television and satellite providers, and consumer demand.

Due to negative access line growth and competition from wireless carriers and other platforms, wireline carriers view video services as a new and necessary means for revenue. Declines in revenue have been caused by the highly competitive market for long distance and local services and its ever-eroding effect on the prices and subscriber base, as well as wireless substitution and the loss of second lines for Internet access as broadband services are adopted.

In face of this declining revenue, video, particularly when combined in a “triple play” offering, represents a strong market for revenue growth for telecommunications carriers. As indicated in the following chart, video provides telecommunications carriers with a significantly higher revenue expectation when compared with stand alone or combined voice and data service offerings. Video also enables the carrier to provide discretionary value added services, such as digital video recorder, video on demand, and premium channels.



Video also offers telecommunications carriers with the ability to remain competitive with cable television providers that have begun to offer voice services in addition to cable television and cable modem services. As of the end of the First Quarter of 2005, cable operators provided residential phone service to 3.5 million residential customers through a circuit-switched or VoIP solution.<sup>6</sup> This aggressive entry into the voice market combined with the cable industry's 70% market share in the Multichannel Video Program Distributor ("MVPD") market<sup>7</sup> and 56% market share in the broadband access market<sup>8</sup> has fostered an environment where telecommunications carriers must invest in video technologies in order to expand or even retain their customer base. Without a viable triple-play offering, telecommunications carriers could see continued or accelerated negative access line growth for voice services and declining market share in data.

<sup>6</sup> NCTA, "2005 Mid-Year Industry Review," available at [http://www.ncta.com/industry\\_overview/CableMid-YearOverview05FINAL.pdf](http://www.ncta.com/industry_overview/CableMid-YearOverview05FINAL.pdf) (visited Sept. 19, 2005), at 10.

<sup>7</sup> Id., at 4.

<sup>8</sup> See, "Federal Communications Commission Releases Data on High-Speed Services for Internet Access," Jul. 7, 2005, available at [http://www.fcc.gov/Bureaus/Common\\_Carrier/Reports/FCC-State\\_Link/IAD/hspd0705.pdf](http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/hspd0705.pdf) (visited Sept. 19, 2005).

Finally, research conducted by Alcatel and others strongly indicate that consumers are demanding more video offerings, better services, and more personalized options. In order for telecommunications carriers to capture customers from cable television or satellite providers, carriers must differentiate themselves and provide a better user experience to the end user. Consumers want a “user-centric” experience that provides control over their viewing choices, and they want to shift programming from a push-based mechanism where broadcasters determine content and viewing times to a pull-based model where consumers decide when, where and what they watch. Alcatel’s consumer research on IPTV has identified the following five applications as being the most desired for consumers:

1. Network or local personal video recording (PVR): The ability to recall and view a program when convenient for the user; the ability to use a simple remote control command to automatically record programs for later viewing.
2. Video Surveillance: The ability to remotely monitor events, people, or places via a simple web-based interface.
3. Remote PVR: The ability to access the programming guide from a remote location to select and schedule recordings either through a mobile phone or a web-based interface.
4. Time-Shifting: The ability to pause real-time broadcast TV when an interruption occurs and then resume play when convenient.
5. Interactive TV: The ability to share a program’s viewing experience through voice, video, and text-based interactions with individuals located elsewhere.

**V. Telecommunications Carriers Are Investing in the Next Generation of Video Networks.**

There have been many developments and advancements in the delivery of video services. Competition among the various platforms is driving R&D and investment in video delivery mechanisms that can offer more personalized and diverse content.

Several telecommunications carriers, including SBC and BellSouth, are launching IPTV offerings. IPTV is not synonymous with Internet Television or video over the Internet, rather IPTV is delivered over a private, managed IP network that is integrated with the data and voice services provided over the same connection. The IPTV service provider retains complete control over the content delivery in order to provide sufficient digital rights management and security for the content owners and to deliver the widely expected quality of service to the consumer. Internet television or video over the Internet, however, allows consumers to access video content that is available on the public Internet. Video offered on the public Internet does not offer adequate security for most content owners and the service level quality cannot be ensured to a level that would compete with cable television providers.

IPTV will enable telecommunications carriers to offer a much more diverse selection of programming due to the use of Internet technology and the switched means of transmitting content. This video service will transmit to the consumer only the channel chosen at that time, similar to how Web pages are transmitted off of the Internet.<sup>9</sup> Switched video is distinct in that traditional cable television broadcasts all available channels to the consumer and the set top box decodes and displays the requested channel. This traditional means to delivering video restrains the program availability and diversity

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<sup>9</sup> "Cable Operators Rush Service to Keep Edge," Wall Street Journal, Jul. 21, 2005, at B1.

based on the bandwidth in the access network. Since switched video delivers only the channel requested, the number of channels offered is not constrained by the bandwidth available in the service delivery network and service providers are empowered to offer a wider diversity of programming. The value of this diversity is illustrated in Chris Anderson's "The Long Tail," which states content outside the most popular can generate significant revenue when delivered over an efficient electronic medium.<sup>10</sup> IPTV has the capability to do for video programming what Amazon.com has done for books.

Finally, the ultimate strength in the U.S. multi-channel video market is not a new technology developed by vendors such as Alcatel and Microsoft, rather the dynamic competition among the various video delivery platforms that results in better services for consumers. Cable television and satellite providers are investing in their networks similar capabilities as SBC, Verizon, and other telecommunications are in their video networks.<sup>11</sup> The effect of this dynamic competition should result in continued public interest benefits, including technological development, increase consumer control and choice, and competitive pressure on pricing.

## **VI. The Local Video Franchise Process is a Barrier to Investment.**

In response to Paragraph 10 of the Notice of Inquiry, Alcatel strongly urges the Commission to recognize that the local video franchising process is a statutory and regulatory barrier to entry that has the potential to seriously delay, or possibly restrict, competitive wireline video entry. The size and scope of the local video franchise process

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<sup>10</sup> "The Long Tail," *Wired Magazine*, Oct. 2004.

<sup>11</sup> *Cable Operators*, supra, n. 9.



alone is a barrier to entry that results in regulatory disparity and will delay the benefits of competitive wireline video services for consumers throughout the U.S.

The scope of the video franchise licensing process confronting telecommunications carriers is enormous. There are an estimated 30,000 local video franchise authorities in the United States.<sup>12</sup> SBC will need an estimated 2,200 for its initial 18 million residence roll out of IPTV, and Verizon estimates it may need up to 250 to serve the Philadelphia area and 409 to serve the New York City area.<sup>13</sup> Each local franchise authority includes its own processes and timelines, and securing these licenses could delay competitive wireline video service entry for years.<sup>14</sup>

Mandating licensed telecommunications carriers navigate the local franchise process and obtain additional licenses creates unnecessary and anticompetitive regulatory disparity. First, licensed telecommunications carriers currently possess multiple licenses to provide numerous services, construct and improve networks, and access public rights-of-way. Local franchise licensing would be superfluous and would be required solely for the carrier to provide an additional application on a facility that most likely already exists or is being constructed to provide a multitude of services, over which the municipality lacks regulatory jurisdiction. Second, there exists no evidence that the lack of local video franchise oversight has harmed or disenfranchised any of the estimated 23 million direct broadcast satellite customers in the United States.<sup>15</sup> In fact, the Congress has enacted the Satellite Home Viewer Act and subsequent amendments to create an environment in

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<sup>12</sup> United States General Accounting Office, "The Effect of Competition from Satellite Providers on Cable Rates," July 2000, Table 6, page 36.

<sup>13</sup> UBS Investment Research, "Franchise Fights Likely to Delay Competition," May 2, 2005, 3.

<sup>14</sup> Even though it has been negotiating for months, Verizon has secured franchise licenses in only 10 communities. "Hearing on Verizon Cable TV Proposal," *Newsday*, Sept. 12, 2005.

<sup>15</sup> Satellite Broadcasting & Communications Association, Facts & Figures, available at: <http://www.sbca.com/index.asp> (visited Sept. 19, 2005).

which direct broadcast satellite can access programming and preempt local rules and ordinances in order to rapidly deploy and compete with traditional wireline cable.

Third, the most compelling reason to exempt or limit the exposure of telecommunications carriers to local video franchising laws is the streamlined entry cable television operators were provided when they entered the voice market as licensed CLECs or unlicensed VoIP providers. Cable television providers were not obligated to amend their local franchise agreements to provide telephony or Internet services, and as CLECs they enjoyed streamlined entry into the voice markets and a lower regulatory burden after entering this market, including:

- §201 pricing relief as nondominant carriers;
- reduced §203 tariffing requirements;
- exemption from §272 separate affiliate requirements for entry into the long distance market;
- exemption from the FCC's accounting rules;
- less burdensome interconnection obligations under §251;
- exemption from the discounted resale rules under §251;
- exemption from extensive "ARMIS" reports; and
- exemption from carrier of last resort obligations.

Streamlined entry and lighter regulatory oversight is appropriate for CLECs and competitors entering any market in which they lack market power. Similar treatment should be provided to telecommunications carriers as they enter into a video market lacking market power and facing the competitive challenges of existing cable and satellite providers. To subject telecommunications carriers to the same entry barriers as incumbent video providers would be equivalent to subjecting CLECs to dominant entry, pricing, and tariffing obligations.

## VII. Conclusion

Chairman Martin is leading the Commission in "...[c]reating a policy environment that speeds the deployment of broadband throughout the U.S."<sup>16</sup> The ability of telecommunications carriers to offer new, innovative video services, such as IPTV, is necessary to justify the extensive capital investment needed for the next generation of broadband networks. However, the continued imposition of local video franchise obligations on telecommunications carriers and other new entrants into this market represent a regulatory barrier to rapid entry, which will result in the well established public interest benefits of competition and innovation being unnecessarily delayed.

Respectfully Submitted,

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<sup>16</sup> Kevin J. Martin, Chairman, Federal Communications Commission, “United States of Broadband,” Wall Street Journal, Jul. 7, 2005, at A12.